

Message Text

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12

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 2742

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

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EO 11652: N/A

TAGS: EFIN, ECIN, BO, CI, CO, PE, VE

SUBJ: RESERVE FUND ESTABLISHED FOR ANDEAN PACT MEMBERS

1. SUMMARY: ANDEAN PACT MEMBERS SIGNED AN AGREEMENT NOVEMBER 12 TO CREATE AN ANDEAN RESERVE FUND OF US 300 MILLION DOLLARS WHICH MEMBER COUNTRIES MAY DRAW ON TO CORRECT BALANCE OF PAYMENT DISEQUILIBRIUMS. THE FUND IS TO BE HEADQUARTERED IN BOGOTA AND THE FIRST PRESIDENT WILL BE COLOMBIAN. END SUMMARY.

2. REPRESENTATIVES OF THE FIVE ANDEAN PACT COUNTRIES MET BRIEFLY IN CARACAS AND ON NOVEMBER 12 SIGNED AN AGREEMENT CREATING A NEW REGIONAL INSTITUTION, THE ANDEAN RESERVE FUND. THE FUND WILL BE HEADQUARTERED IN BOGOTA. IT IS INDEPENDENT OF THE ANDEAN DEVELOPMENT CORPORATION IN CARACAS WHICH WAS CREATED TO PROVIDE DEVELOPMENT FUNDS. THE NEW FUND'S STATED OBJECTIVES ARE TO:
(A) ACT TO SUPPORT THE BALANCE OF PAYMENTS OF THE MEMBER COUNTRIES BY AUTHORIZING CREDIT AND GUARANTEEING THE LOANS OF THIRD PARTIES,
(B) CONTRIBUTE TO THE HARMONIZATION OF THE EXCHANGE, MONETARY, AND FINANCIAL POLICIES OF THE MEMBER COUNTRIES ENABLING THEM TO CARRY
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OUT THEIR COMMITMENTS IN COORDINATION WITH THE PRINCIPAL ORGANS OF

THE ANDEAN PACT, (C) IMPROVE THE LIQUIDITY OF THE DEPOSITS OF INTERNATIONAL RESERVES MADE BY THE MEMBER COUNTRIES.

3. UNDER THE AGREEMENT SUBSCRIBED CAPITAL WILL AMOUNT TO US 240 MILLION DOLLARS. BOLIVIA AND ECUADOR WILL SUBSCRIBE 30 MILLION EACH AND THE OTHER COUNTRIES WILL PROVIDE 60 MILLION EACH. THE LARGER COUNTRIES WILL PAY THEIR QUOTAS IN FOUR EQUAL ANNUAL INSTALLMENTS. BOLIVIA AND ECUADOR WILL HAVE EIGHT YEARS. THE FIRST PAYMENT IS DUE WITHIN 90 DAYS AFTER THE AGREEMENT ENTERS IN FORCE WHICH WILL OCCUR WHEN ALL INSTRUMENTS OF RATIFICATION ARE DEPOSITED WITH THE COLOMBIAN CENTRAL BANK.

3. THE FUND MAY EXTEND CREDIT TO THE MEMBER CENTRAL BANKS UP TO A SUM EQUAL TO THE LOWEST OF THREE AMOUNTS; TWO AND ONE HALF TIMES THE AMOUNT SUBSCRIBED (THREE AND ONE HALF FOR BOLIVIA AND ECUADOR), THE TOTAL DEFICIT OF THE COUNTRY'S BALANCE OF PAYMENTS DURING THE YEAR PRECEDING THE REQUEST, OR THE AMOUNT CORRESPONDING TO A PERCENTAGE (TO BE FIXED BY THE FUND) OF THE COUNTRY'S IMPORTS FROM THE ANDEAN GROUP DURING THE YEAR PRECEDING THE REQUEST. CREDIT WILL BE AUTHORIZED FOR ONE YEAR AND MAY BE EXTENDED FOR ONE YEAR UP TO A TOTAL OF THREE YEARS.

4. TO QUALIFY FOR CREDIT MEMBER COUNTRIES MUST ACCOMPANY THEIR REQUEST WITH A WRITTEN REPORT STIPULATING THE MEASURES BEING TAKEN AND TO BE TAKEN TO RESTORE A BALANCE OF PAYMENTS EQUILIBRIUM. THESE MEASURES MUST CONFORM TO THE OBLIGATIONS ASSUMED UNDER THE CARTAGENA AGREEMENT AND CANNOT AFFECT IMPORTS FROM OTHER MEMBER COUNTRIES NOR CONSIST OF THE APPLICATION OF SAFEGUARD CLAUSES PROVIDED FOR IN THE CARTAGENA AGREEMENT.

5. THE FUND WILL BE GOVERNED BY AN ASSEMBLY COMPOSED OF MINISTERS OF FINANCE OR TREASURY WHICH WILL DETERMINE OVERALL POLICY. THE ASSEMBLY WILL GENERALLY ACT ON THE RECOMMENDATIONS OF THE DIRECTORATE COMPOSED OF PRESIDENTS OF THE CENTRAL BANKS AND THE PRESIDENT OF THE FUND. THE FUND PRESIDENT IS ELECTED FOR THREE YEARS AND SERVES AS THE TOP INDEPENDENT EXECUTIVE WITH NO OBLIGATIONS TO ANY GOVERNMENT.

6. EMBOFF RECENTLY DISCUSSED THE FUND WITH A CONCERNED SENIOR UNCLASSIFIED

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OFFICER OF THE ANDEAN PACT JUNTA SECRETARIAT. THE SOURCE INDICATED THAT PLANS FOR CREATION OF THE FUND HAD BEEN IN EXISTENCE FOR ABOUT A YEAR BUT THE POLITICAL DECISION TO SIGN THE AGREEMENT WAS MADE ABRUPTLY FOLLOWING CHILE'S DEPARTURE. HE AGREED THAT THE TIMING OF THE SUDDEN ADOPTION WAS PROBABLY MEANT TO DEMONSTRATE THE MOMENTUM OF THE INTEGRATION PROCESS. HE ALSO NOTED THAT CREATION OF FUND SIMPLIFIES EVEN-HANDED DISTRIBUTION OF EXECUTIVE POSTS WITHIN THE ANDEAN PACT. THESE NOW INCLUDE THE JUNTA (PERU, VENE-

ZUELA, AND ECUADOR), THE ANDEAN DEVELOPMENT CORPORATION (BOLIVIA), AND FUND PRESIDENT (COLOMBIA).

7. THE SOURCE SAID THAT THE ORIGINAL PLAN CALLED FOR THE FOUR MAJOR COUNTRIES (THEN INCLUDING CHILE) TO SUBSCRIBE US 60 MILLION DOLLARS EACH AND BOLIVIA AND ECUADOR 30 MILLION EACH FOR A TOTAL OF 300 MILLION. HE STATED THAT ONCE THE FUND IS FORMALLY ESTABLISHED THE MEMBERS PLAN TO INCREASE THEIR SUBSCRIPTION TO 75 MILLION FOR EACH OF THE MAJOR SUBSCRIBERS AND 37.5 MILLION FOR BOLIVIA AND ECUADOR FOR A TOTAL OF 375 MILLION. VENEZUELA WOULD THEN SUBSCRIBE AN ADDITIONAL 25 MILLION TO BRING THE TOTAL TO 400 MILLION. VENEZUELA'S DRAWING RIGHTS WOULD NOT BE INCREASED BECAUSE OF THE ADDITIONAL CONTRIBUTION.

8. COPIES OF THE AGREEMENT, WHICH IS TO BE RATIFIED WITHIN 90 DAYS OF SIGNING, ARE BEING POUCHED.
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